Rough Transcript of Chair Powell's Opening Statement June 18, 2025

CHIAR POWELL. Good afternoon. My colleagues and I remain squarely focused on achieving our dual mandate goals of maximum employment and stable prices for the benefit of the American people. Despite elevated uncertainty, the economy is in a solid position. The unemployment rate remains low, and the labor market is at or near maximum employment. Inflation has come down a great deal but has been running somewhat above our 2 percent longerrun objective.

In support of our goals, today the Federal Open Market Committee decided to leave our policy interest rate unchanged. We believe that the current stance of monetary policy leaves us well positioned to respond in a timely way to potential economic developments. I will have more to say about monetary policy after briefly reviewing economic developments.

Following growth of 2.5 percent last year, GDP was reported to have edged down in the first quarter, reflecting swings in net exports that were driven by businesses bringing in imports ahead of potential tariffs. This unusual swing has complicated GDP measurement. Private domestic final purchases, or PDFP as we call them —which excludes net exports, inventory investment, and government spending—grew at a solid 2.5 percent rate. Within PDFP, growth of consumer spending moderated while investment in equipment and intangibles rebounded from weakness in the fourth quarter. Surveys of households and businesses, however, report a decline in sentiment over recent months and elevated uncertainty about the economic outlook, largely reflecting trade policy concerns. It remains to be seen how these developments might affect future spending and investment. In our Summary of Economic Projections, the median participant projects GDP to rise 1.4 percent this year and 1.6 percent next year, somewhat slower than projected in March.

In the labor market, conditions have remained solid. Payroll job gains averaged 135 thousand per month over the past three months. The unemployment rate, at 4.2 percent, remains low and has stayed in a narrow range for the past year. Wage growth has continued to moderate while still outpacing inflation. Overall, a wide set of indicators suggests that conditions in the labor market are broadly in balance and consistent with maximum employment. The labor market is not a source of significant inflationary pressures. The median projection for the unemployment rate in the SEP is 4.5 percent at the end of this year and next, a bit higher than projected in March.

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Estimates based on the Consumer Price Index and other data indicate that total PCE prices rose 2.3 percent over the 12 months ending in May and that, excluding the volatile food and energy categories, core PCE prices rose 2.6 percent. Near-term measures of inflation expectations have moved up over recent months, as reflected in both market- and survey-based measures. Respondents to surveys of consumers, businesses, and professional forecasters point to tariffs as the driving factor. Beyond the next year or so, however, most measures of longer-term expectations remain consistent with our 2 percent inflation goal. The median projection in the SEP for total PCE inflation this year is 3 percent, somewhat higher than projected in March. The median inflation projection falls to 2.4 percent in 2026 and 2.1 percent in 2027.

Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. At today's meeting, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent and to continue reducing the size of our balance sheet. We will continue to determine the appropriate stance of monetary policy based on the incoming data, the evolving outlook, and the balance of risks.

Changes to trade, immigration, fiscal, and regulatory policies continue to evolve, and their effects on the economy remain uncertain. The effects of tariffs will depend, among other things, on their ultimate level. Expectations of that level, and thus of the related economic effects, reached a peak in April and have since declined. Even so, increases in tariffs this year are likely to push up prices and weigh on economic activity.

The effects on inflation could be short-lived—reflecting a one-time shift in the price level. It is also possible that the inflationary effects could instead be more persistent. Avoiding that outcome will depend on the size of the tariff effects, on how long it takes for them to pass through fully into prices, and, ultimately, on keeping longer-term inflation expectations well anchored.

Our obligation is to keep longer-term inflation expectations well anchored and to prevent a one-time increase in the price level from becoming an ongoing inflation problem. As we act to meet that obligation, we will balance our maximum employment and price-stability mandates, keeping in mind that, without price stability, we cannot achieve the long periods of strong labor market conditions that benefit all Americans.

We may find ourselves in the challenging scenario in which our dual-mandate goals are in tension. If that were to occur, we would consider how far the economy is from each goal, and the potentially different time horizons over which those respective gaps would be anticipated to close. For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policy stance.

In our SEP, FOMC participants wrote down their individual assessments of an appropriate path for the federal funds rate, based on what each participant judges to be the most likely scenario going forward. The median participant projects that the appropriate level of the federal funds rate will be 3.9 percent at the end of this year, the same as projected in March. The median projection declines to 3.6 percent at the end of next year and to 3.4 percent at the end of 2027, a little higher than the March projection. These individual forecasts are always subject to uncertainty, and, as I have noted, uncertainty is unusually elevated. And, of course, these projections are not a Committee plan or decision.

At this meeting, the Committee continued its discussions as part of our five-year review of our monetary policy framework. We focused on issues related to assessing the risks and uncertainties that are relevant for monetary policy and the potential implications for policy strategy and communications. Our review includes outreach and public events involving a wide range of parties, including Fed Listens events around the country and a research conference that we held last month. We are open to new ideas and critical feedback, and we will take on board lessons of the last five years in determining our findings. We intend to wrap up any modifications to our Statement on Longer-Run Goals and Monetary Policy Strategy by late summer. After that, we will consider enhancements to our suite of communication tools, including the SEP.

The Fed has been assigned two goals for monetary policy—maximum employment and stable prices. We remain committed to supporting maximum employment, bringing inflation sustainably to our 2 percent goal, and keeping longer-term inflation expectations well anchored. Our success in delivering on these goals matters to all Americans. We understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you. I look forward to your questions.

Q: To what extent has the more limited effect from tariffs changed your view on what the ultimate economic fallout will be from these policies and the timing of when they will materialize in the data?

POWELL: So, we've had three months of favorable readings since January and February, and that's highly welcome news. Part of that is core services, both housing services and nonhousing services, have really been grinding down toward levels that are consistent with 2% inflation. So that's the good news. We've had goods inflation just moving up a bit and, of course, we expect as you point out, we do expect to see more of that over the course of the summer. It takes some time for tariffs to work their way through the chain of distribution to the end consumer. A good example of that would be goods being sold at retailers today may have been imported several months ago before tariffs were imposed. So we're beginning to see some effects. We expect to see more. We do also see price increases in some of the relevant categories like personal computers and audio visual equipment and things like that that are attributable to tariff increases. In addition, we look at surveys of businesses and there are many of those. And you do see a range of things. But many, many companies do expect to put all or -- some of all of the effect of tariffs through to the next person in the chain. And ultimately, to the consumer. Today, the amount of the tariff effects -- the size of the tariff effects, their duration and the time it will take are all highly uncertain. So that is why we think the appropriate thing to do is to hold where we are as we learn more. And we think our policy stance is in a good place where we're well-positioned to react to incoming developments.

Q: In terms of how we should interpret the rate cuts, is this reflecting that there's this expectation that underlying inflation will just stay well enough contained that allows the committee to eventually move ahead with those cuts, or is it about responding to a deterioration in economic activity? How should we make sense of the forecast?

POWELL: If you look at the forecast you will see that people do generally expect inflation to move up and then to come back down. But we can't just assume that. Of course we don't know that. And our job is to make sure -- one of our jobs is to make sure that a one-time increase in inflation doesn't turn into an inflation problem. And that will depend on the size of the effects, how long it takes for them to come in, and ultimately on keeping inflation expectations anchored.

Q: If you look at the rate path, starting in December to today, you've taken about a quarter point per year out of your projected path and you end at a high rate in '27, higher than you would have in the prior forecast. Is that a result of a sense that tariffs will lead to more persistent inflation? Is it a result of reassessments of the short-term neutral rate? Why are you on a slower path?

POWELL: I would focus most on the nearer term. As you get out to the later years, it's hard for anybody to know where the economy is going. You didn't see people moving their longer term estimate of the neutral rate at this meeting. So -- and those things are probably slow-moving. I think if you look at what's happening here, since March -- this is since March. You see a little slower growth. Just a tiny tick up, one tenth tick up in unemployment and you see inflation moving up three tenths. It was a similar move from the December SEP to the March. So that's what you see. You see the effects of tariffs. I think we learned in April, after the March meeting, that substantially higher tariffs were likely. And since then, the estimates of where the tariffs will be have moved back down, although still an elevated level. We're adapting in real time. You see an accumulation of individual statements.

Q: You say in the statement that risks have diminished on that front, but the July 9th drop dead day for all the deliberation tariffs is still out there and unresolved. You've got now exchange of missiles between two Middle East adversaries with a possible U.S. involvement. How can you justify saying that risks have diminished?

POWELL: We said uncertainty has -- uncertainty about the economic outlook has diminished but remains elevated. Many surveys say that. That's a line from the teal book, which you can see in five years. Remember to check that.

No. But, if you think about it, tariff uncertainty, uncertainty really peaked in April. And since then has come down. That's what that's acknowledging. It's diminished but still elevated. It's uncertainty. I think that's an accurate statement.

Q: There is an argument out there in favor of cutting rates more immediately. Inflation has continued to cool and is back at roughly 2%. I guess I also wanted to ask about cracks in the job market with gross hiring slowing, concentrated in just a few industries. We've seen some housing data, including this morning, that has been pretty weak. Do you see any concerns that the economy is weakening and that is a reason to cut rates going forward?

POWELL: So, we do of course monitor all those things. I think if you look at the overall picture, what you're seeing is 4.2% unemployment and an economy that's growing at a rate -- hard to know given the unusual flows, but 1.5-2%. Sentiment has come up off of its very low levels. It's still depressed. So, you know, you can point to things -- the housing market is a longer run problem. And also a short run problem. I don't think it's indicative of -- basically, the situation is we've a longer run shortage of housing and we also have high rates right now. I think the best thing we can do for the housing market is to restore price stability in a sustainable way and create a strong labor market. And that's the best thing we can do for the housing market. You asked about the job market. Again, look at labor force participation, look at wages, look at job creation. They're all at healthy levels now. I would say you can see perhaps a very, very slow continued cooling. But nothing that's troubling at this time. But we watch it very, very carefully. So overall, again, the current stance of monetary policy leaves us well-positioned to respond in a timely way to economic developments for now. And we'll be watching the data carefully.

Q: Just quickly on -- given that there are concerns inflation will rise, but there is the alternate scenario that tariffs would create demand and slow growth sufficiently. And that would perhaps keep a bit of a lid on inflation. Do you see odds of that scenario -- what kind of odds do you see of that scenario coming true, and how many months of cool inflation would you need to see before concluding that maybe that lower inflation scenario is taking place?

POWELL: So this is very much the conversation we had today and yesterday. There are many different scenarios, many combinations of scenarios where inflation does or doesn't prove out to be at the levels we think and where the labor market does or doesn't soften. I think what you see people doing is looking ahead at a time of very high uncertainty and writing down what they think the most likely case is. No one holds these rate paths with a great deal of conviction. And everyone would agree that they're all going to be data-dependent. And you can make a case for any of the rate paths that you see in the SEP. And we do this once a quarter. It's a hard thing to do. At this -- particularly at this time. But it does reflect -- if you see somebody writing down a rate path that involves cuts, that's them saying yes, I think we will get to a place more likely than not, where cuts will be appropriate. It could be a joint probability of a number of outcomes. Remember how much uncertainty we face, though.

Q: Mr. Chair, I wonder if you could describe some of those scenarios. How do you get to a place -- I'm noticing the uncertainty levels in your forecast are very high. How do you get to a place where you have the confidence in the outlook for inflation and/or growth or the unemployment rate? How many months does it take? What do you want to see in the data to get to that level of confidence to reduce rates off the restrictive level?

POWELL: It's very, very hard to say when that will happen. We know the time will come. It could come quickly. It could not come quickly. As long as the economy is solid, as long as we're seeing the kind of labor market that we have and reasonably decent growth, and inflation moving down, we feel like the right thing to do is to be where we are, where our policy stance and learn more. And in particular we feel like we're going to learn a great deal more over the summer on tariffs. We hadn't expected them to show up much by now and they haven't. And we will see the extent to which they do over coming months. That's going to inform our thinking. In addition we'll see how the labor market progresses. At some point it will become clear. I can't tell you when that will be. We'll be watching the labor market carefully for signs of weakness and strength and tariffs for signs of what's going to happen there. There are many developments ahead, even in the near term, developments are expected on tariffs. So I think we don't yet know with any confidence where they will settle out. We have an estimate. It's -- all estimates are now pretty close together. But it's uncertain.

Q: When you say estimate, estimate of the impact of tariffs on the core PCE?

POWELL: What you start with is what's the effect of tariff rate overall. People are managing to that. But the pass-through of tariffs to consumer price inflation is a whole process that's very uncertain. As you know, there are many parties in that chain. There's the manufacturer, exporter, importer, retailer, and consumer. And each one of those is going to be trying not to be the one to pay for the tariff. But together they will all pay. Or maybe one party will pay it all. But that process is very hard to predict. And we haven't been through a situation like this. And I think we have to be humble about our ability to forecast it. So that's why we need to see some actual data to make better decisions. We'd like to get some more data. And again, in the meantime, we can do that because the economy remains in solid condition.

Q: Could you explain more the divergence we see in the dot plot, particularly around the 2025 rate projections? I realize this -- you have one group of officials that are putting down no cuts. Another that are putting down more than one. Recognize that could be difficult to summarize, but is it a matter of people having a different outlook, or a different reaction function, a different commitment to defending against another inflation mistake? How did that play out over the last two days?

POWELL: So you're right. And this is often the case. We have a pretty healthy diversity of views on the committee. We did have strong support for todays decision and broad agreement that our policy stance does leave us in a good place. But I would point to two factors. You mentioned them. The first is that parties have a diversity of forecasts. And they do align with where their dots are. If you have a higher inflation forecast, you're going to be less likely to be writing down more cuts. But remember, as we see more data, we're going to learn more about where inflation is headed. When it is time to look at normal -- at resuming our normalization process, the differences you see should be smaller, because we'll have seen actual data. Right now it's a forecast in a foggy time. That's the first part, forecast. Secondly, people can look at the same data and evaluate the risks differently. And that includes the risk of higher inflation, the risk it'll be more persistent, the risk the labor market will weaken. People will have different assessments of that risk. You put that in there, too. So, those are the two ways that -- the two things that drive these things. Remember though, as I mentioned earlier, with uncertainty as elevated as it is, no one holds these rate paths with a lot of conviction. So, that's really where it is. It's a function of those things. And I think as the data come in you should see those differences diminish.

Q: If I could follow up, you've said the policy is in a good place and it's modestly restrictive. Given the uncertainty, tariff levels, the pass-through, price increases versus margin compression, some of the softness that Chris talked about in labor and housing. Why wouldn't it be better to have rates that are more neutral as the economy heads into this period of very high uncertainty?

POWELL: If you just look backward at the data, that's what you would say. But we have to be forward-looking. The thing that every outside forecaster and the Fed is saying is that we expect a meaningful amount of inflation to arrive in the coming months. We have to take that into account. A backward-looking look would lead you toward neutral. But we have to look at that and because the economy is still solid, we can take the time to actually see what's going to happen. You know, there's a range of possibilities on how large the inflation and other effects are going to be. We'll make smarter and better decision if we wait to get a sense of the pass-through of inflation and the effects on spending, and hiring, and all those things.

Q: Your friend at 1600 Pennsylvania Avenue continues to lob insults in your direction. Give than the Supreme Court has maybe carved out the Fed from some of the legal implications of that, I'm wondering whether this is just noise that the markets and everybody should ignore until your term is up, or whether you worry that it could lead to more pressure on confidence on Wall Street, on consumers about the outlook for the economy.

POWELL: Okay. From my standpoint, it's not complicated. What everyone on the FOMC wants is a good, solid American economy with strong labor market and price stability. That's what we want. Our policy is well-positioned right now to deliver that. And to be able to respond in a timely way as the data lead us around. The economy has been resilient. Part of that is our stance. And again, we think we're in a good place on that, to respond to significant economic developments. That's what matters. That is what matters to us. Pretty much that's all that matters to us.

Q: I need to ask, assuming you are not re-appointed, would you stay on as governor when your term ends?

POWELL: I'm not thinking about that. I'm thinking about this.

Q: Thanks, Mr. Chairman. I guess with workplace raids increasing, picking up significantly, what kind of effect would that have on the labor market?

POWELL: What?

Q: Workplace raids?

POWELL: You're asking immigration.

Q: Yeah.

POWELL: You know, I wouldn't want to speculate. One way to get at that from an economic standpoint -- we don't comment on immigration policy. It's not ours to make or comment on. You see an unemployment rate that has been really solid, at a low level, not really increasing. It's been in a good range and well within the range of mainstream estimates of maximum employment. That means part of that is that labor demand and labor supply are kind of moving down at the same rate. Labor demand is softening. You see that in job creation. But it's still at a healthy level and labor supply is diminishing because the immigration numbers that we see are much lower than they were. So those two factors, supply and demand, that's what has kept the unemployment rate in a reasonably stable place.

Q: Thanks. The other thing I wanted to follow up on is if you could elaborate on the potential changes to the SEP that you suggested were part of the framework review?

POWELL: It really has two tracks. The first track is our policy framework that is reflected in the consensus statement. We've said that we would finish that and announce it by the end of the summer. So we're well along in that process. We've had the meetings that we need to have and we're going to be going into -- pardon me -- into discussions about specific changes to language. So that's the framework part of it. The second part of it is our communications tools and practices. (Clearing throat) Pardon me. And that part comes next, okay? That's what we're going to do in the meetings this fall. What we did at this meeting is we sort of prepared the ground for that. We had a meeting where we talked at a high level about a number of ideas. The SEP is part of it. Many other ideas. It's sort of how do we think our communications could be improved. There are a number of ideas. People offered -- it was a great conversation. A number of ideas. But we're going to look at those with staff briefing and a lot of thought in the fall. And I would say when it comes to changing communications, you know, I would only do -- only support things that -- implement things that have very broad support. And you want to be really careful, because I think our communications are pretty well-received. They're not broken. So more is not necessarily better. But better is better. So we're going to be looking at ways to do things that will improve the clarity of what we do for the benefit of the public.

Q: You're known as the guy that makes a decision based on data instead of speculation. You've said the inflation data is in a good place. We don't know how tariffs will impact things. When you cut rates in December, there was still the what if of tariffs. So, what made you feel comfortable cutting then when inflation was higher than where it is today and you didn't cut today?

POWELL: Well, the forecast for inflation in December was 2.5, core PCE, the forecast was 2.5%, which was a good inflation forecast. I think what we've learned is that -- this was long before we had any idea of what the actual policies would be. We've learned that tariffs are going to be substantially larger than forecasters generally thought. And our forecasts are generally not particularly different from those of other, you know, well-resourced forecasting operations. So, what we learned, and particularly in April, was that substantially larger tariffs were coming and that would mean higher inflation. That's what happened. Now you see -- you saw 2.5% forecast in December. You say 2.8% in March and 3.1% now, six tenths higher for 2025. That's a big part of the change. And that's due to the effects of the tariffs. We don't know where they're going to land. But it's pretty apparent they're going to land higher than outside forecasters were guessing at the end of last year.

Q: The consumer, we're looking for relief on rates when it comes to mortgages, loans. When you look at the cumulative inflation over the past five years, prices have risen over 20%. It's been a rough road. So what is the tipping point for the wait and see approach in terms of how much it's going to help versus when it hurts the American consumer?

POWELL: Well, we're trying to restore -- the best thing we can do for the public that we serve is restore price stability. And we will restore price stability, meaning 2% inflation on a durable, sustainable basis. That and also maximum employment. If we restore those things, that is our goal. The best thing we can do for the households and businesses, that is the ultimate think we can deliver. And they can make decisions without thinking about inflation. We have to keep rates high to keep inflation down. They're not very high. Policy is modestly or moderately, probably modestly restrictive. If you look at the economy it's not performing as though it were performing under very strict monetary policy, very restrictive. I would say modestly restrictive. It will take confidence that inflation is coming down. Without tariffs that confidence would be building. If you see what's happening with nonhousing services and housing services, those are coming down nicely now. We have to learn more about tariffs. I don't know what the right way for us to react will be. I think it's hard to know with any confidence how we should react until we see the size of the effects. Then we can start to make a better judgment. That's what we're doing. I think we can take the time to do that because unemployment is 4.2%. Wages are moving up. Real wages are moving up at a healthy clip now. And inflation is 2.3% headline inflation over a 12-month basis. So it's a good economy and a solid economy with decent growth.

Q: Thank you. So, you're saying that uncertainty has come down. The economy is moving at a solid pace. Inflation has come down over the past three months. This is moving in the right direction. Are you indicating that Americans should expect some sort of economic pain in the second half of the year?

POWELL: I'm not saying that at all. You know, from our standpoint, what I can say is that the U.S. economy is in solid shape. Inflation has come down. The unemployment rate is 4.2%. Real wages are moving up. It's a good -- job creation is at a healthy level, unemployment low, labor force participation in a good place. And what we're waiting for to reduce rates is to understand what will happen with the tariff inflation. And there's a lot of uncertainty about that. Every forecaster you can name who is a professional forecaster with adequate resources and forecasts for a living is forecasting -- everyone that I know is forecasting a meaningful increase in inflation in coming months from tariffs because someone has to pay for the tariffs. And it will be someone in that chain that I mentioned between the manufacturer, the exporter, the importer, the retailer, ultimately somebody putting it into a good of some kind or a consumer buying it. And all through that chain, people will be trying not to be the ones who pick up the cost. But ultimately, the cost of the tariff has to be paid and some of it will fall on the end consumer. We know that. That's what businesses say. That's what the data say from past evidence. So we know that's coming. And we just want to see a little bit of that before we make judgments prematurely.

Q: Follow up on that. You spent years talking about how you're data-dependent. Be more direct. Now you're making decisions looking forward. Doesn't the data you're seeing today indicate there should be a rate cut?

POWELL: No. I mean, monetary policy has to be forward-looking. That is elementary. We always talk about the incoming data, the evolving outlook and the balance of risks. We say that over and over again. So, it's always forward-looking. If you know -- at the beginning of the pandemic, we cut rates to 0 immediately. Nothing had happened. We knew it was going to be really bad. So we took very aggressive forward-looking, because we knew things were going to be unusually difficult. This is something we know is coming, we just don't know the size of it. And the economy seems to be in solid shape. So the labor market's not crying out for a rate cut. Businesses -- you know, we're in a bit of shock after April, but you see business sentiment, there's a different feeling now that people are working their way through this and they understand how they're going to go. And it feels much more positive and constructive than it did three months ago, let's say. So, again, we think that our current stance of monetary policy is in a good place.

Q: In February you told Congress the Fed is overworked, maybe not overstaffed. In a memo to staff in May announcing a deferred resignation program you said you wanted to ensure that the Fed was "right-sized." Those two statements appear to be at odds with one another. Could you explain what changed in the three months between those statements that made you decide staff levels should decline?

POWELL: I don't see them as intention. So, I was asked is the Fed overstaffed and I said no, overworked. People do work extremely hard at the Fed. And I know they work hard at Bloomberg, too. But we do. We work hard. But I would say this. So, we are careful stewards of public resources. And sometimes you need to show that. So there have been several times in our modern history where the Fed has said we're going to do a buyout. We're going to show the public, demonstrate that we are good stewards of public resources. So, we thought and I thought that this is a time when we can -- we grow at -- our head count has grown at 1% a year. So, over the course of a couple of years, we're doing a careful scrub of the board and the reserve banks and we're going to find 10% of employees who can do something else, where we can streamline our operations. And we think we can get there in a couple of years. We think we can do that. And we think -- this is without taking risk to carrying out our critical missions. So, this is something you do very carefully, thoughtfully, and you do it again, respecting that we have critical missions to carry out. I've had experience -- a lot of experience in my prior careers, you know, with head count reductions and things like that. And this is how you do it professionally. You do it carefully, thoughtfully, with a lot of planning and you do it over a period of time. And I think the Fed will be fine. I think no one will notice any decline in our ability to carry out our missions. It's just us wanting to demonstrate to the public that we are actually good stewards of their resources. We're effectively wiping out ten years of head count growth with this. So we wanted to show that we're good stewards.

Q: How is progress on reducing head count going so far?

POWELL: We're just at the beginning. We're doing a buyout program. We're going to hit that goal. I think many organizations find that they can do this. You don't want to do it every year, but you can do it at intervals. And you wind up not interfering with your ability to perform your jobs.

Q: The Senate Finance Committee has tabled its version of the reconciliation bill this week. And I was wondering if you could tell me a little bit about the tenor of the debate at the FOMC over the past few days on fiscal policy and the degree to which that influences people's projections for 2026 and beyond. Thank you.

POWELL: Yeah, so, you know, we don't sit around and debate or really discuss. We take fiscal policy and fully exogenous. And so we actually really didn't talk about the bill or the contents of it. It's still evolving. When it gets closer . . . Remember also we have a very large economy. And the effects will be at the margin. And I expect that they may already be in. But they will be in by the next meeting. We'll make an estimate. But it's not a major thing. It's nothing that we discuss. May have been mentioned a couple of times as something that's coming in, but I think the outcome -- we don't know the outcome yet. So hard to be real specific.

Q: There have been some cutbacks in economic statistics collection, worries that long-running problems around funding and response rates may be getting worse. How much is this concern on your radar, how much confidence do you have that the gauges you're watching to assess the economy are reliable right now?

POWELL: You know, two things. One, the data we get right now, we can do our jobs. I'm not concerned that we can't. That's not the point. The point really is that we are starting to see, you know, layoffs and important gatherers of data are saying that they're having to cut back on the size of their surveys. That's going to lead to more volatility in the surveys. We should take a step back. From our standpoint and the standpoint of businesses, governments, and everyone, having really good data on the state of the economy at any given time is a huge public good. It helps -- it doesn't just help the Fed, it helps the government, Congress, the executive branch. More importantly it helps businesses. They need to know what's going on in the economy. The United States has been a leader for many, many years in this whole project of measuring and understanding what's happening in our very large and dynamic economy. And I hate to see us cutting back on that because it is a real benefit to the general public that people in all kinds of jobs have the best possible understanding of what's happen in the economy and what's likely to happen. It's very hard to measure what's going on in the U.S. economy. There was a book -- well. It's really remarkable how many things you need to understand to estimate U.S. GDP. Very, very difficult. And it's so important that we get it right. I would say it's not a place to -- I wouldn't want to keep investing in that for the good of the general public -- I would want to keep investing in it.

Q: So, you're conducting this monetary policy strategy framework review. But next year we're supposed to have a new Fed Chair and I'm wondering if that affects at all the way that you're approaching this. How do you ensure that this framework will actually be durable?

POWELL: You know, the framework goes back to -- the framework document goes back to 2012. And it's the committee's document. It's not like we're going to invent a brand new way to do things. It's been an evolving document. So it shouldn't depend on who the Chair is at all. Should depend on what's happening in the economy and what the committee wants to do. So it isn't really tied to any particular Chair. And we used to renew it every year. Now we do it every five years. But I don't think -- I've never heard anyone raise this issue that, you know, a new Chair might want to come in and go in a completely different direction. I really don't think that's right. But that's not going to be up to me to decide.

Q: Is that affecting at all who you're conducting with?

POWELL: No. Not at all. Not in any way.

Q: Relatively low gas prices this year have helped drive down inflation in recent reports, but that trend is starting to reverse given the crisis in the Middle East. How are you thinking about how the Israel Iran conflict will impact the economy, and what lessons were learned in 2022 when the Ukraine war sent oil and gas prices skyrocketing?

POWELL: We're watching like everybody else. I don't have any comment on that. Possible that we'll see higher energy prices. What's tended to happen is when there's turmoil in the Middle East you may see a spike in energy prices, but it tends to come down. Those things don't generally tend to have lasting effects on inflation, although, of course, in the 1970s, they famously did because you had a series of very, very large shocks. But we haven't seen anything like that now. The U.S. economy is far less dependent on foreign oil than it was back in the 1970s. So, but.

Q: Quick followup. I've got to ask about artificial intelligence. Some technology executives have been warning that AI could wipe out a large chunk of entry-level jobs and significantly increase the unemployment rate. I'm wondering how concerned you are if at all about the threat that AI poses to employment.

POWELL: So, this is the question. The question really is, will AI be more augmenting labor or replacing labor. And I wouldn't -- we all see those announcements, including one today. I wouldn't overread a couple of data points, because AI should be creating jobs at the same time. It may be replacing -- may be doing both. Anyone who's done any work with it, with AI, will have been a little bit stunned at how capable it is. And it's just a different thing. So, I think this is something that certainly has transformational potential. And probably we're in the very early stages of it. They say what you're seeing now compared to what you'll see in two years is going to be very different and even more effective. So I think it's really hard to know. Of course there are optimists who feel like it's going to make everybody much more, you know, much more productive. And there are those who think it's going to replace an awful lot of jobs right across the income spectrum, white collar, blue collar, and everything. I don't know. We don't have a view on that. But this is going to be a very important question for some time.

Q: Could you step back a little bit, Chair Powell? You know, there's a spate of articles and a lot of op eds in newspapers saying the U.S. economy and global economy is going through a profound change, akin to thent of the Brentwood era in the '70s. Don't you owe the American people some sort of explanation for what we're going through? I noticed earlier this month when you talked about woods a little bit and you said that the Fed staff had to change how the dollar, the dollar wasn't backed in the economy. Are we going through something like that now? Are you having to change how you do monetary policy? Is it that fundamental a change under way? Thanks.

POWELL: It's certainly a time of real change. You know, from a geopolitical standpoint, from trade, immigration, you see this not just here but everywhere. So there's quite a lot going on. It doesn't change the way we do monetary policy in the near term. And it doesn't change our objectives or what we need to do. These things are not our issues. They're issues for elected governments, all of those issues. But there's no question it's a time of real change and very hard to see where that goes. You know, will it be -- there have been many things written about how it's going to be a more inflationary time. That's possible. It's not guaranteed. AI could cut in the other direction. It could make people much more productive and push in the other direction. I don't know. You're right. But honestly, our focus is a much more practical one. How do we keep inflation low and employment high in the near term. That's what we're about.

Q: What is the view about the growing amount of slack in the job market, including the softening in payrolls, the forecast of a modest rise in the unemployment rate and the ability of workers to demand wage hikes or not in this environment where you have inflation surging?

POWELL: You don't really see unemployment going up. You don't see increased slack. At the margin -- you're at 4.2% unemployment. That was for many years, that was an extremely low level. It happens to have come up off of an even lower level. Out of the pandemic, 3.4%. But

4.2% is probably at the low end of estimates of the longer run sustainable level of natural rate of unemployment. So, I guess I wouldn't agree. Also in terms of wages, real wages after inflation have been moving up sort of more than was consistent with 2% inflation. They're still moving up at a healthy clip. And I think much more consistent with 2% inflation given a reasonable assessment of trend productivity. So, it's a pretty good labor market. You're right that the level of job creation has come down, but so has the supply of workers. The change in the supply, the new supply. So you've seen the unemployment rate remain pretty stable at 4.2. It's been as high as 4.3. But those are good numbers. It's a pretty good labor market. The more concerning thing is there's not a lot of job creation. If you're out of work, it's hard to find a job. But very few people are being laid off at this point. So that's an equilibrium we watch very, very carefully. Because if there were to be significant layoffs, and the job finding rate were to remain it low, you would have an increase in unemployment fairly quickly. But that really hasn't happened. So the U.S. economy has defied all kinds of forecasts for it to weaken really over the last three years and it's been remarkable to see again and again, when people think it's going to weaken -- eventually it will, but we don't see signs of that now.

Q from MNI's Jean Yung: There's been a lot of talk about cuts. I wanted to ask you, why do you think there are no forecasts for rates to rise or even to stay where they are next year, given that the projection for inflation is to rise to 3% and there's a lot of -- there's some skepticism over whether those price hikes will be a one-time event?

POWELL: So there are a number of people on the committee who wrote down no cuts this year, but some cuts next year. So, look. I think, you know, people are writing down their most likely path. They're not saying there's 0 possibility of other things. It's think of it as the least unlikely path in a situation like this where uncertainty is very high. I think, again, people write down their rate paths and they do not have a really high conviction that this is exactly what's going to happen over the next two years. No one feels that way. They feel like what am I going to write down? What would you write down? It's not easy to do that with confidence. So, I would say it that way. We don't rule things in or out. Certainly a hike is not the base case at all. It's not something people are writing down. But in the meantime, we do the best we can with these forecasts and I think they're representative of the different forecasts and different reaction functions that people on the committee have. So, thank you very much. Thanks.

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